



OFFICE OF THE CLERK/TREASURER

City of Burlington

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To: City Council & Miro Weinberger, Mayor

From: Bob Rusten, Chief Administrative Officer

Re: Submission of 10-year Capital Plan- Starting in FY 16

Date: April 10, 2015

Please find attached to this memo adraft document entitled "City of Burlington 10 Year Capital Plan".

This document is the result of approximately one year's work of a team of City staff and is capital planning tool for City-owned capital assets; buildings, infrastructure and vehicles.

- This tool is the first version of what will be a living document to be updated each year.
- To utilize this document the Board of Finance, City Council and all jurisdictional Commissions should be involved in determining what projects should go forward, when, and how to pay for these.
- Many of these investments are necessary and are cost-efficient to move forward now to prevent having to pay even larger amounts as buildings and infrastructure deteriorate. Vehicles have stayed in service past their prime trade-in value and resulted in maintenance costs that exceed the value of the vehicle.
- The City has made past efforts to address its capital needs, such as an increase of one million dollars in the annual General Fund borrowing for capital needs.
- The lack of a long-term plan, updated each year, with limited preventative maintenance resources, has resulted in a significant backlog of essential capital asset reinvestment.
- I want to acknowledge that the draft "City of Burlington 10 Year Capital Plan" tool is due to the work of numerous staff, in particular the management leadership teams of the Department of Public Works and of Parks and Recreation along with the Mayor and his office. Martha Keenan, Capital Improvement Program Manager, had the lead role in facilitating all the different City staff and outside contractors, to put this document together. We owe a debt of gratitude to the many people involved who created this very important initial planning tool and process so we can proactively and responsibly address the capital asset needs of the City of Burlington.

Focus of Capital Plan:

- While significant effort was spent to identify the capital asset needs of all City departments, a higher degree of effort went into General Fund areas.
- The next year will require continued refinement and updating of this tool.
- The School District has expressed some interest in collaborating with the City on capital planning over the next year.

A Need Identified:

- To pay for the reinvestment in, enhancement to and expansion of our capital assets.
- To simply maintain the assets the City currently owns, we estimate needing to invest approximately \$211M over the next 10 years.
- We estimate the existing revenue streams for capital investments over the next 10 years to be ~\$150 million, including the current yearly bonding for \$2M. Thus, under our current assumptions, we are preliminarily projecting an additional need of approximately \$60 million over the next ten years. Over the months ahead, we anticipate working with City Council Committees

and City Commissions to confirm the assumptions underlying these expenses and revenue assumptions.

Critical Questions to be Reviewed

- All parties are encouraged to analyze ways to creatively respond to the needs and to do so by thinking long-term.
- Would it make sense to refurbish or build a new building to consolidate City departments?
- Can different City departments coordinate and consolidate our building needs?
- Can a centralized fleet maintenance system reduce the current or future number of City-owned vehicles by having a better vehicle-sharing system?
- Can we avoid the past practice of borrowing money for limited life vehicles, and of yearly bond payment for vehicles no longer in service?
- Can capital growth and the expenditures associated be proven to be long-term revenue generators and therefore an investment in the City's long-term financial health and therefore justify the cost?
- Does creating and funding reserve accounts to build up money to pay cash for assets, rather than borrowing, make financial sense?
- Can large tax hikes be avoided by shifting projects from one year to another so as to level out the funding need year to year?
- Can we divest from any underutilized and expensive facilities?

These and other questions should be the basis of the review on this capital planning tool. What should not be a question is whether the City needs to address its long term capital needs in a comprehensive way and then plan and act on these needs.

I would call your attention to a few items:

- In FY 15 we hired EMG to conduct an assessment of all City-owned buildings. All of the critical life-safety issues as identified by EMG were addressed in this FY.
- For Fiscal Years 16 and 17 we believe our primary responsibility is to address building and infrastructure needs both EMG and the Administration believe hinders functionality.
- FY 17 & FY 18 addresses our built-up vehicle needs. This allows time to assess ways to cost-effectively address our vehicle needs.
- The Plan proposes to continue the enhanced FY15 funding for sidewalk reinvestment into FY16 and then sharply increasing funding in FY 17 to attain a level of funding that can sustainably maintain our street, sidewalk and curb infrastructure.
- In the Parks section, starting in FY 16 with even heavier emphasis continuing in FY 17 and beyond, we address the bike path rehabilitation needs.
- Beyond making Memorial Auditorium usable for its current limited functions, significant refurbishing and retrofitting is likely needed to increase the Auditorium functionality. In FY 17, in the Expansion section of the tool we show the anticipated costs needed for major renovation. This conceptual projection is included for discussion purposes. The City is not pursuing such a renovation at this time.
- In the "New Operational Expense" section we have added necessary costs required if a decision is made to move ahead with all of the projects in FY 16 and beyond. Modification to projects and/or their time line could impact the need for these operational expenses.

To best use this Tool:

- Implement discussions as to what projects should be moved forward, in what time frame, and at what cost. Included are non-City revenues to help pay for projects if we have actual commitments
- Be fiscally prudent by preliminarily approving future work on large capital assets conditional on getting commitments of non-City revenues, and to define that amount and commitment time frame
- Initiate discussions for the purpose of long-term planning.

Next Steps:

- After an overview of the plan at the April 13, 2015 City Council work session, the 10-year Capital Plan be referred to the Board of Finance for a more thorough review.
- A collaborative process initiated between the Administration, the Board of Finance, and the City Council Committees and City Commissions of jurisdiction focused on the Administration's submission of, and the City Council approval of a feasible FY 16 capital budget
- With the FY 16 budget completed, discussions and decisions with the BoF and jurisdictional Committees and Commissions relating to FY 17 and beyond will enable planning out the steps, including budgetary, to implement the approved projects

In summary:

- The City does not have a long-range, sustainable capital plan
- Our current projections indicate that existing funding will only cover approximately 2/3rds of the cost of just maintaining what we currently own, leaving a projected ~\$60,000,000 shortfall over the next ten years under our preliminary assumptions
- The chronic underfunding has many impacts, including:
 - equipment prone to failure sometimes before its expected lifespan
 - more expensive repairs
 - significant resources spent reacting to problems
- To be able to sustainably maintain our assets, we must pursue some mix of the following options:
 - Reduce our assets
 - Secure additional capital funding
 - Develop more efficient systems to maintain our assets
 - Add additional assets only once we have a capital funding plan in place
- Possible solutions to funding the capital shortfall
 - Aggressively pursue energy efficiency projects and other cost saving measures and reinvest savings in capital assets
 - Add to budget line items in operating budgets
 - Consider alternative capital financing sources other than property taxes
 - Finance long-term capital investments in part with additional revenue anticipated when the Waterfront TIF expires in 2024
 - Short-term and long-term potential borrowing
 - Create one fleet department— improving efficiencies and requiring less overall vehicles
 - Leddy Park Renovation/expansion— add a Parks facility at Leddy allowing some streets vehicles to be based in north end of City saving time and travel on vehicles, moving Parks folks to Leddy and making more space available at 645 Pine Street